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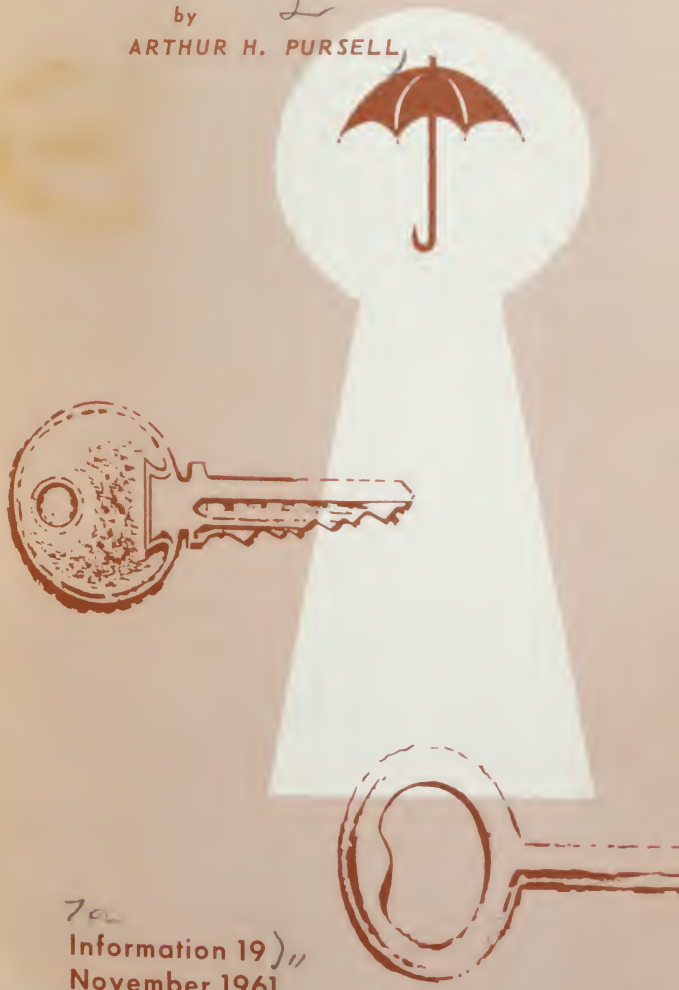
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3 **KEYS to
EFFECTIVE
RURAL CREDIT
UNIONS**

by 2
ARTHUR H. PURSELL



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November 1961

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U.S. FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE

Farmer Cooperative Service
U. S. Department of Agriculture
Washington, D. C.

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

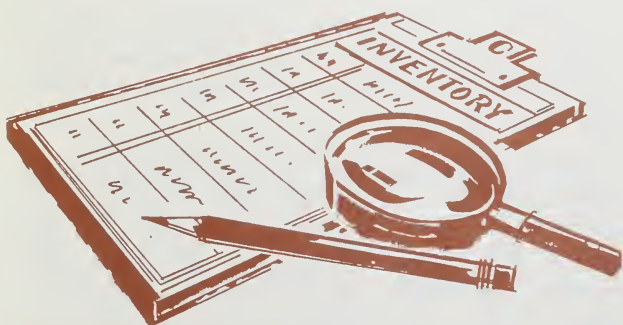
The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

Keys to Effective Rural Credit Unions

By Arthur H. Pursell
Farm Services Branch
Purchasing Division

A rural credit union pioneer once said, "A credit union will not build or run itself." Credit unions, like other cooperatives, need honest, efficient, and aggressive leaders who plan their program carefully and keep service to members a major objective at all times. Leadership is an essential ingredient for which there is no substitute.

The following suggestions summarize methods or techniques used by credit union leaders at one time or another in building successful programs.



Take Inventory

Begin your program building by making an appraisal or analysis of your

If you have your educational teams set up, let member enlistment be one of their early assignments. Each person who is willing to work initially on member enlistment may be willing to continue as an educational worker or sponsor for his or her area and for handling a program for thrift promotion.

Work for Member Understanding

Member education and information programs are vital to any credit union program--more so than is generally realized. Members must be kept well informed to become or remain good members. At a time when it is least expected, such a program may pay the greatest dividends. The value of good member relations is both cumulative and invaluable.

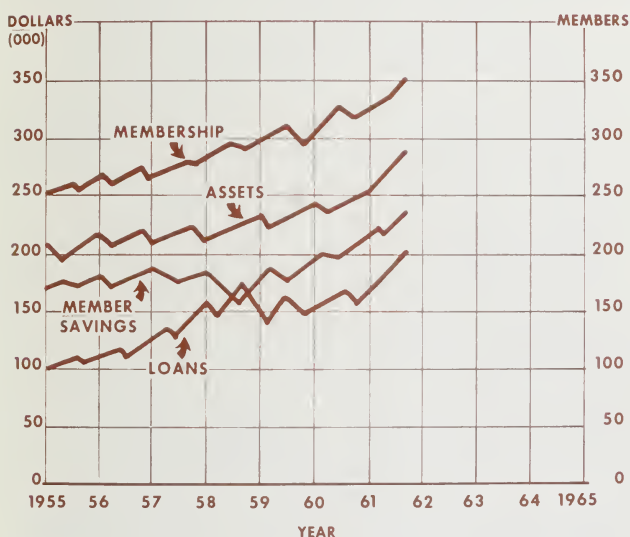
Use monthly newsletters to help with membership information and education. In addition, credit unions should consider making home mailings to members at regular intervals. These may include general literature, annual reports, and related information. They are especially effective in reaching the housewife and other members of the family for credit union membership and patronage.

Write or adapt as many articles as possible for use in your sponsor's member publication--where one exists. In addition, invite credit union leaders to contribute special articles usable in this publication (or your newsletter). Use photographs when possible.

Don't hesitate to take full credit for the many good things you are already doing such as encouraging habits of thrift, paying dividends, paying off loans for deceased or disabled members with

your Loan Protection insurance program, making loans to help young farmers get started in business, and helping 4-H members. Let your performance speak for you.

These human interest stories are invaluable in increasing member understanding, in securing additional members, and in building both share and loan volume.



Use Charts and Graphs

A good educational and promotional idea is to chart the growth of your credit union graphically. Progress may be shown from the beginning of operations by using four different colored lines -- one each to show growth in membership, member savings, loan volume, and total assets.

Once the chart is made it can be used to advantage at annual or special

meetings and displayed daily on the wall of the credit union office. Such charts should be brought up to date annually, semi-annually, or quarterly. An educational item of this type is effective, yet inexpensive.

Give Material Awards

Awards are as effective for credit unions as for other organizations, when properly used. Especially useful are awards for children when made for promoting thrift. These may be in the form of shares rather than money.

Many progressive credit unions open share accounts in the name of children at the time of birth. In this way they usually get the parent's membership, too--if they are not members already. Appropriate awards can be purchased at cost from CUNA Supply Cooperative, P. O. Box 431, Madison, Wis., if not available locally.

Maintain Group Activity

Many rural credit unions are working with other rural membership groups. This is a good practice and is to be encouraged. Many people seemingly can be reached only through group activity. Rural credit unions should endeavor to use every proven method to extend their worthy program.

Improve Annual Meetings

The annual meeting of the membership should be made the biggest event of the year. It is not enough to barely fulfill legal requirements by having a business meeting only. The annual meeting should

be made an occasion with a meaningful educational and business purpose--planned carefully and handled so as to leave a lasting impression on the membership.

In addition, many rural credit unions could profitably have semiannual meetings in the nature of a picnic, fish fry, or other recreational gatherings, where the major emphasis is placed on developing good membership relations.

FCS Circular 22, "Making the Most of Your Co-op Annual Meeting" by French M. Hyre and Oscar R. LeBeau, is available on request from Farmer Cooperative Service, U. S. Department of Agriculture, Washington 25, D. C. This circular provides help for annual membership meetings of cooperatives and may also be used profitably by rural credit unions.



Use Guest Speakers

For annual meetings and special occasions use speakers who understand

your program and share your objectives. Outstanding leaders are available for your asking. These include:

1. Officials of your cooperative or farm organization.
2. Officials of your credit union league or the Credit Union National Association.
3. Credit union supervisory officials--especially for discussing certain technical problems related to your operations.
4. Local credit union officials and experienced volunteer workers from neighboring credit unions or nearby counties.
5. Community, governmental, and other recognized leaders.

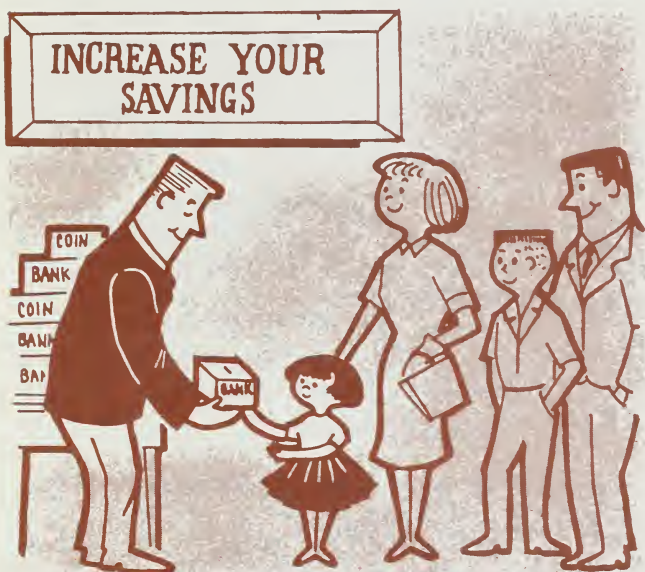
Officials of other organizations usually welcome the opportunity to participate in local credit union programs. Use them.

Maintain Efficient Operations

Needless to say, credit unions must maintain efficient operations and render good member service, continuously. This is not always easy, but unless the credit union program is service-motivated throughout and kept efficient, it can never achieve its intended objectives. The best credit union has been defined as the one whose program remains the most serviceable to the most members.

Officer training--or leadership training as it is frequently referred to--is an invaluable ally to efficiency in building a credit union program.

One successful rural credit union appoints a Junior Board of Directors each year as a part of its officer training program. Junior board members serve 1-year terms as assistants to the directors. Appointments are usually made from areas not represented on the board or on committees.



Encourage Capital Growth

Credit unions must raise most of their operating capital from members and therefore must give proper attention to mobilizing member resources. This raises share capital for the credit union and promotes thrift on the part of the members. Both are an integral part of the credit union system.

Successful rural credit unions may use one or more of the following methods to raise operating capital.

1. By conducting special drives for capital, perhaps with awards to those making the largest deposits during a given period. New members may also be enrolled during a drive for operating capital.

2. By stressing regular investments--especially for employees of the credit union and affiliated organizations.

3. By arranging for deductions from milk checks of dairy farmer members, or salary checks of employee members of the co-op, credit union, or affiliated organizations.

4. By featuring seasonal deposits--equivalent to a load of grain at harvest time, a steer at sale time, or some other familiar unit.

5. By making "add-ons" to loan repayments--designated for the member's savings account.

6. By distributing coin banks--especially to children.

7. By holding "pie supper auctions" or the equivalent--where the amount bid on a pie or cake goes into the bidder's share account.

8. By urging investment or re-investment of co-op and credit union dividends.

9. By making loans for re-deposit--such as the "share loan" or "estate loan" plan.

10. By promoting and accepting lump sum deposits from members, as when settling estates, and so on.

11. By encouraging parents or grandparents to build educational funds for children or grandchildren, or funds for other worthy future use.

12. By proper use of the "Life Savings" insurance program--a member service originated and popularized by credit unions.

Provide a Sound Lending Program

Credit unions are known best by, and judged mostly by, their lending record. Credit union law and bylaws permit loans to be made for any "provident or productive purpose."

Following this broad provision, credit unions may make--and do make--almost any type loan for which they have funds, provided it is "for a good purpose" and the borrower has a good record and the ability to repay it as planned.

There need be very few limitations on credit union lending. Loans are made to members only, and members usually constitute select risks. Credit unions maintain reserves to cover losses from loans uncollectible, and most of them carry loan protection insurance that automatically covers loss in case of death or disability of the borrowing member. These provisions permit broad, liberal programs unless negated by operating policies.

New trends in credit union lending include finance counseling, line-of-

credit loans (made annually for the farmer), and estate loans (for re-investment in the credit union). Rural credit union loans are short-term or intermediate term loans made to meet needs of the farm family, as well as for farm production.

Liberalized lending practices have grown with the movement. In making loans, credit unions do not need to resort to, or follow, the conventional conservatism of many finance organizations. They are designed to be non-profit service organizations and so long as they are operated efficiently they can, without fear, maintain a broad, liberal lending program for members. The more successful ones do.



Cooperate with Other Credit Union Organizations

In most areas there are citywide or area associations of credit unions called "chapters"; in almost every State there are statewide associations called "credit union leagues"; and the

Credit Union National Association, or CUNA is now international.

Local credit unions make up the chapters and leagues; leagues make up CUNA. All these are operated to assist locals with education, legislation, supplies, technical assistance, and other forms of necessary service. All are operated on a cost basis and represent the cumulative experience of the entire movement.

Maintain Basic Essentials

There are multiple techniques for building successful rural credit union programs. Officers and workers will, quite naturally, select and use from this or any other similar list only the one, or ones, they think will help them most--with the idea of adding others later. However, three basic essentials are required by--and are present in--all good programs. They are:

1. The desire to have a successful program
2. A carefully planned program (preferably with a timetable)
3. A group of interested, informed, and faithful workers.

Do not overlook or omit these basic credit union essentials. They constitute the A-B-C's of any successful program. Given these, and any combination of the suggestions made here will get results. Without them no credit union can be successful.

Other Publications Available

Using Your Rural Credit Union, Educational Circular 16. Arthur H. Pursell.

Rural Credit Unions in Indiana, General Report 47. Arthur H. Pursell.

How Cooperatives Use Credit Agencies To Meet Patron's Needs, General Report 52. John M. Bailey, Arthur H. Pursell, and Russell C. Engberg.

Rural Credit Unions in Nine Midwestern and Great Plains States, General Report 94. Arthur H. Pursell.

The Rural Credit Union--a Place to Save and Borrow, Rural Resource Leaflet 8.

A copy of each of these publications may be obtained upon request while a supply is available from--

Information Division
Farmer Cooperative Service
U. S. Department of Agriculture
Washington 25, D. C.



Growth Through Agricultural Progress

